

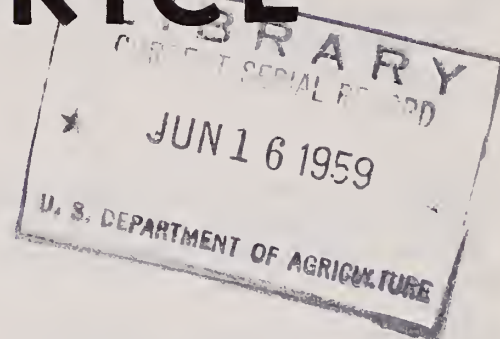
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May 1959
FOR RELEASE
MAY 26, A. M.

The **DEMAND and PRICE SITUATION**

DPS-53



Approved by the Outlook and Situation Board, May 20, 1959

SUMMARY

The economic upswing from the low of the 1957-58 recession has continued about a year and the prospects are for further gains. Most major economic indicators are above the previous highs established in 1957. In April, industrial production, personal income and retail sales rose to new record highs. Construction outlays, while down slightly from March, after seasonal adjustment, were up 15 percent from a year earlier. Employment in April was also a new high for the month, some 2 million larger than a year earlier. Unemployment totaled about 3.6 million persons, down appreciably from April 1958 but still not back to pre-recession levels.

With wage and salary payments increasing, personal incomes in April totaled almost 7 percent above a year earlier. Retail sales were up 9 percent, with automobile sales up 22 percent. Sales at retail food stores totaled 4 percent larger even though retail food prices averaged almost 3 percent under April 1958. Industrial prices and cost rates for some consumer services have shown some advances over the past year, but with lower prices of farm products and foods, the overall levels of wholesale commodity prices and consumer prices have held fairly steady.

(Continued on page 3)

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1958		1959			
		Year	Apr.	Jan.	Feb.	Mar.	Apr.
Industrial production: Seasonally adj. <u>1/</u>							
Total	1947-49=100	134	126	143	145	147	149
All manufactures	do.	136	128	145	148	150	152
Durable goods	do.	142	131	153	157	160	164
Nondurable goods	do.	130	125	137	139	139	140
Minerals	do.	117	109	124	124	122	123
Construction:							
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	48,980	3,881	4,539	4,537	4,544	4,495
Public construction	Mil. dol.	15,033	1,182	1,444	1,417	1,438	1,400
Private residential	Mil. dol.	17,884	1,351	1,787	1,817	1,811	1,803
Housing starts	Thousands	1,209	983	1,364	1,320	1,390	1,390
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	26,246	24,945	28,143	28,481	29,074	
Durable goods	Mil. dol.	12,402	11,532	13,541	13,870	14,343	
Unfilled orders-sales ratio <u>6/</u>		3.57	3.82	3.31	3.32	3.28	
Inventory-sales ratio <u>6/</u>		1.93	2.06	1.76	1.75	1.73	
Durable goods		2.32	2.55	2.08	2.05	2.01	
Employment and wages: <u>7/</u>							
Total civilian employment	Millions	64.0	62.9	62.7	62.7	63.8	65.0
Nonagricultural	do.	58.1	57.3	58.0	58.0	58.6	59.2
Unemployment	do.	4.7	5.1	4.7	4.7	4.4	3.6
Workweek in manufacturing	Hours	39.3	38.3	39.9	40.0	40.2	40.3
Hourly earnings in manufacturing	Dollars	2.13	2.11	2.19	2.20	2.22	2.23
Income and spending:							
Personal income payments <u>2/ 3/</u>	Bil. dol.	354.4	349.7	363.0	365.4	369.5	372.7
Consumer credit outstanding <u>1/</u>	Mil. dol.	45,065	42,617	44,415	44,071	44,203	
Automobile	Mil. dol.	14,131	14,691	14,155	14,223	14,375	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	16,682	16,512	17,454	17,552	17,892	17,981
Durable goods	Mil. dol.	5,284	5,163	5,836	5,868	6,046	6,181
Inventory-sales ratio <u>6/</u>		1.44	1.45	1.39	1.37	1.35	
Prices:							
Wholesale prices, all commodities <u>4/</u>	1947-49=100	119	119	120	120	120	120
Commodities other than farm and food	do.	126	126	128	128	128	128
Farm products	do.	95	98	92	91	91	92
Foods processed	do.	111	112	109	108	107	107
Consumer price index, all items <u>4/</u>	1947-49=100	124	124	124	124	124	
Food	do.	120	122	119	118	118	
Prices received by farmers <u>8/</u>	1910-14=100	250	257	244	243	244	244
Crops	do.	224	239	215	218	222	223
Livestock and products	do.	272	272	270	265	263	261
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	293	294	298	297	298	299
Family living items	do.	287	288	288	288	287	287
Production items	do.	264	265	268	267	267	269
Parity ratio <u>8/</u>		85	87	82	82	82	82
Farm income and marketings: <u>8/</u>							
Volume of farm marketings	1947-49=100	123	91	127	104	100	95
Cash receipts from farm marketings	Mil. dol.	33,206	2,198	2,862	2,242	2,190	2,200

Annual data for most of these items for the years 1929 and 1939-58 appear on page 35 of the April 1959 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
 4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census.
 8/ U. S. Department of Agriculture, Agricultural Marketing Service.

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, May 20, 1959

CONTENTS

Page

Page

: Summary	1	: Oilseeds, Fats and Oils	19	:
: General Business Activity.....	4	: Feed	21	:
: Farm Prices and Price Support		: Wheat	22	:
: Activity	11	: Fruit	23	:
: World Crop Production	13	: Commercial Vegetables	24	:
: Farm Income	16	: Potatoes	25	:
: Livestock and Meat	16	: Cotton	25	:
: Dairy Products	17	: Wool	27	:
: Poultry and Eggs	18	: Tobacco	28	:

continued from cover page -

Prices received by farmers have held nearly steady so far this year, but in April averaged 5 percent below a year earlier. The index of prices paid, including interest, taxes, and farm wage rates, increased in April to a new record and was up nearly 2 percent over a year earlier. The parity ratio at 82 was 6 percent below a year ago.

Cash receipts from farm marketings in the first 4 months of 1959 were 1 percent above the same period in 1958. Increases in total marketings, particularly of hogs, chickens, eggs, and food and feed grains, have offset lower average prices received by farmers.

Commodity Highlights

A buildup of 4 to 5 million in cattle inventories in 1959 appears to be underway. If the present rate of increase continues beyond 1959, it will result in severe price declines in the early 1960's. Hog production continues to expand; prices next winter will probably be lower than during this past winter.

April wholesale egg prices and May prices to date have been the lowest since 1941. Laying flock size will probably continue above 1958 for at least the next 4 or 5 months and rate of lay will probably also continue above last year. Hatchery output of egg-type chicks in April was down 2 percent from April 1958. Broiler prices in mid-April were the lowest since 1940, except for last fall.

Soybean prices to farmers probably will average slightly above the loan rate of \$2.09 per bushel until the new crop becomes available. Coconut oil prices have nearly doubled since the summer of 1957 and are expected to remain at the recent high levels through most of 1959.

Prices of feed grains have risen more than seasonally since last fall reflecting heavy domestic disappearance as a result of increased livestock production and liberal feeding per animal. In addition, heavy exports of feed grains under the payment-in-kind program has tended to strengthen prices by reducing "free" supplies.

Prices received by farmers for the 1959 wheat crop probably will average about at the effective support level, with large quantities again placed under the price support program and exports continuing at high levels.

Supplies of fresh spring vegetables are expected to increase seasonally and prices probably will decline somewhat during the next several months. However, prices of melons and some late spring vegetables may average above the levels of a year ago because of less bunching of the harvest. Potato prices are substantially above the low level of last month and may advance further during the next few weeks.

Production prospects on May 1, 1959 for peaches in the 9 southern States pointed to a crop about one-tenth under the heavy 1958 crop. Prospects for California fruit indicated a heavier production than the light crops of last year for apricots, sweet cherries and fresh plums.

Boston price quotations for wool in early April were 10 to 15 cents a pound over mid-January, reflecting an advance in world wool prices.

Maryland tobacco offerings from the 1958 crop were of considerably better quality than last year but the crop is probably the smallest in many years. Sales through May 15 averaged 61.7 cents per pound compared with 46.9 cents in the same period a year ago.

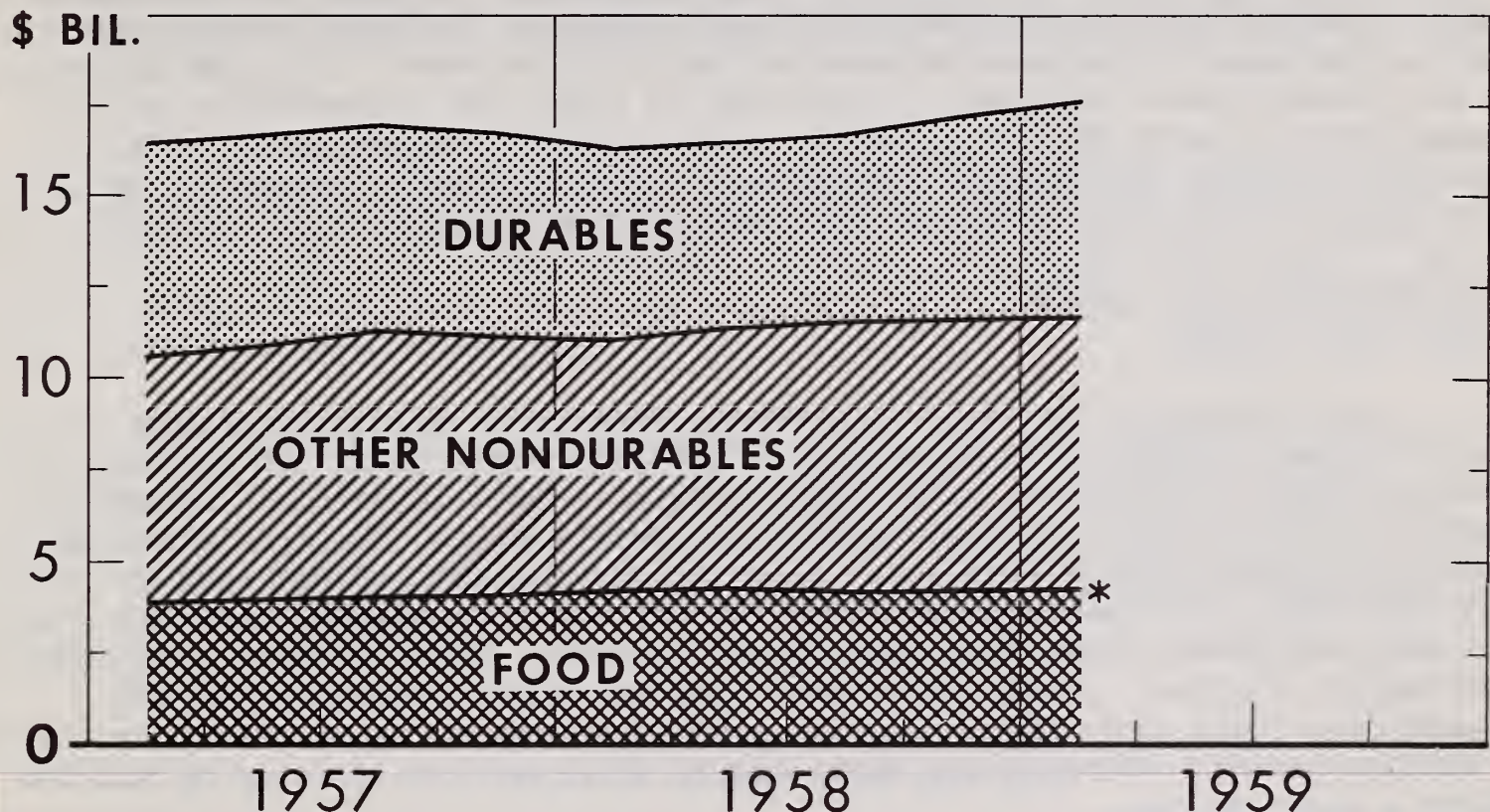
GENERAL BUSINESS ACTIVITY

The economic recovery continued during April. Retail sales after seasonal adjustment reached \$18.0 billion, a new record and 9 percent above a year ago. Sales of durable and nondurable goods stores were up 20 percent and 4 percent from a year earlier.

Sales of the automobile group in April had the largest year to year gains, up 22 percent. The average daily rate of auto sales in the first 10 days of May, according to trade reports, were 43 percent above the depressed level a year earlier. Dealer sales of domestically produced automobiles in April totaled 503,000 units, up 13,000 from March and 139,000 from a year earlier. The substantial increase in new housing completions in the last year has stimulated the demand for furniture and appliances. Sales of this group in

RETAIL SALES

(Seasonally Adjusted)



* 2 MONTH AVERAGE

SOURCE: U. S. DEPARTMENT OF COMMERCE

U. S. DEPARTMENT OF AGRICULTURE

NEG. 7122- 59 (5) AGRICULTURAL MARKETING SERVICE

April were up $14\frac{1}{2}$ percent from a year earlier. Sales of food stores were 4 percent above a year earlier, although prices currently are down about $2\frac{1}{2}$ percent. Sales of apparel stores in the past year have decreased 6 percent. Sales of the general merchandise group were up 3 percent, drug stores up 8 percent, and gasoline service stations were up 6 percent.

Consumer Prices Steady

Prices paid by farmers for family living items in mid-April averaged unchanged from a month earlier and were slightly below a year ago. Retail prices of all categories of items except clothing were steady to lower. Clothing prices edged up slightly. Consumer prices reported by the Bureau of Labor Statistics have changed little since mid-1958. The index in March, at 123.7 (1947-49=100), was the same as February and only slightly above a year earlier. Food prices were 2.6 percent below a year earlier while other nondurable prices were up .4 percent. Prices of new and used cars in March were 5.7 and 14.1 percent above a year ago while prices of other durable goods were down slightly. The cost of services continued to rise--in March they were about 2 percent above a year ago. Medical care and transportation costs were up the most.

Construction ActivityDown a Little

Construction outlays, seasonally adjusted, totaled \$4.5 billion in April, down slightly from March, but 15 percent above a year ago. The most important changes in construction outlays occurred in private homebuilding, which in April were up a third from a year earlier. Private nonfarm housing starts increased 57 percent between February and December 1958. New starts since December have declined a little and in April, on a seasonally adjusted annual rate, were 1,390,000 units the same as March compared with 1,432,000 units in December and 983,000 a year ago. Nonfarm housing starts in April were above the previous highs in the peak housing years of 1950 and 1955.

Manufacturer's New Orders
and Sales Higher

Manufacturers' new orders in March, seasonally adjusted, at \$30 billion were up about a fifth from a year ago. Gains in new business in durable goods were up almost 32 percent, with nondurables up around 12 percent. Manufacturers' sales, which follow new orders, in March totaled \$29.1 billion, up about 17 percent from a year ago. Sales of durable goods firms were up about a fourth while nondurable goods firms were up about an eighth. Between February and March sales increased about 2 percent, after seasonal adjustment, with motor vehicles, steel, and stone, clay and glass industries up substantially. With new orders running ahead of sales, unfilled orders increased 1 billion between February and March and at \$50.1 billion were up $2\frac{1}{2}$ billion above a year earlier.

Inventories Increasing
In March

The additions to inventories during previous postwar recoveries accounted for a substantial part of the increase in gross national output. Manufacturing and trade inventories, seasonally adjusted, in March totaled \$86.3 billion, up \$400 million from February but \$2.2 billion below a year ago.

Manufacturers' inventories increased in March to \$50.3 billion, up \$400 million from February. All the gain in inventories was among durable goods industries, as steel users increased their stocks in anticipation of a possible work stoppage. Inventories of nondurable goods were unchanged between February and March at \$21.5 billion.

Wholesale and retail inventories were unchanged between February and March. Wholesale inventories were a little lower but retail stocks were about the same as March 1958. At retail a rise in dealer inventories of automobiles was just about offset by declines in apparel, general merchandise and other nondurable goods stores.

Industrial Production
Reaches New Peak

Industrial production increased in April to 149, up 18 percent from a year earlier, the low of the 1957-58 recession. Most of the gains were concentrated in durable goods industries, particularly steel, automobiles, and machinery. Output of nondurable goods also increased, with textiles and chemicals higher.

Steel production in recent months has reflected both rising orders owing to recovery in production of durable goods and demand by steel users for inventories in anticipation of a strike at mid-year. Steel mills operated at 92 percent of capacity in March and at 93 percent in April. The index of primary metals production, seasonally adjusted in April at 152, compared with 146 in March and 86 a year ago.

With a sharp rise in production of autos and a more modest rise in household goods, the index of consumer durable output in April at 136 (1947-49=100) was up 40 percent from a year earlier. Automobile production in April was a little higher than in March, but 256,000 units above April 1958. Production of appliances, heaters, radios and televisions increased substantially from a year ago.

Table 1.--Steel production, sales and new orders
selected months 1958 and 1959

Year and month	Steel production	Steel operating rate	Primary metals production	Manu- facturers' new orders of primary metals	Manu- facturers' sales of primary metals
	Million tons	Percent	1947-49 = 100	Million dollars	Million dollars
1958:					
April	5,533	48	86	1,543	1,657
July	6,442	54	102	2,044	1,917
October	8,840	74	122	2,414	2,182
1959:					
January	9,317	74	125	2,727	2,230
April	11,300	93	152	n.a.	n.a.

n.a. Not available.

Department of Commerce and Federal Reserve Board.

Unemployment
Declines
Further

Unemployment declined to 3.6 million in April, compared with 5.1 million a year earlier. The seasonally adjusted rate of unemployment declined to 5.3 percent of the civilian labor force compared with 7.5 percent in April 1958, the lowest since December 1957.

Nonfarm employment, seasonally adjusted, increased between March and April, and was 1.7 million above April 1958, according to reports of the Bureau of Labor Statistics. With the rapid recovery of manufacturing production, employment has increased 894,000 over the past year. Employment in durable goods industries was up 721,000 and nondurables 173,000. The steel, automobile, apparel and textile industries mill products have shown the greatest gains. Nonmanufacturing employment in April was up 815,000 over the last year with Government up the most, followed by construction and trade.

Average weekly hours have increased more rapidly than employment. In manufacturing average weekly hours were back to the levels in mid-1957. Increases in average hours have also occurred in nonmanufacturing industries (table 2).

Personal Income
At A New
Record

Personal income reached a \$372.7 billion rate in April, up $6\frac{1}{2}$ percent above the same month last year. Higher wage and salary payments reflecting both longer hours and higher wage rates accounted for most of the \$3.2 billion increase between March and April. Average gross weekly earnings in manufacturing were up about 11 percent over the past year, with wage rates and hours both higher than a year earlier (table 2).

Current Money
And Credit
Conditions

The major factors that influence the supply and demand for funds have changed materially since mid-1958. The Federal Reserve System by reducing the net free reserves of member banks and increasing the rediscount rate has tightened the supply of credit from the banking system. The demand for funds since mid-1958 has increased from consumers to finance homes and consumer durable goods and from the Federal Government to finance the large 1958-59 cash deficit. With bank credit tightened and a higher demand from consumers and the Federal Government, the interest rate has increased sharply since mid-1958.

Table 2.--Average hours worked per week and gross weekly earnings of nonsupervisory workers by industry, April 1958 and April 1959 with change

Item	Average hours worked per week :			Average gross weekly earning		
	April 1958	April 1959 ^{1/}	Change	April 1958	April 1959 ^{1/}	Percent change
Manufacturing						
Durable goods	38.3	40.3	2.0	80.81	89.87	11.2
Lumber and wood (except furniture)	38.8	41.0	2.2	87.30	97.99	12.2
Primary metal industries	38.8	40.8	2.0	71.39	78.74	10.3
Fabricated metal products	36.9	41.1	4.2	95.20	116.31	22.2
Machinery (except electrical)	38.9	41.0	2.1	87.14	96.76	11.0
Electrical machinery	39.3	41.4	2.1	92.75	102.67	10.7
Transportation equipment	39.0	40.3	1.3	83.46	89.47	7.2
	39.3	41.4	2.1	97.07	109.30	12.6
Nondurable goods industries						
Food and kindred products	37.7	39.5	1.8	73.14	78.61	7.5
Textile mill products	39.7	40.3	.6	79.80	84.23	5.6
Apparel and other finished textile products	36.6	40.4	3.8	54.90	63.43	15.5
Chemicals and allied products	34.5	36.6	2.1	51.75	55.63	7.5
Products of petroleum and coal	40.7	41.3	.6	92.39	97.06	5.1
Rubber products	40.5	41.2	.7	110.97	118.24	6.6
Leather and leather products	37.5	42.3	4.8	85.88	104.06	21.2
	34.1	36.7	2.6	53.54	59.09	10.4
Nonmanufacturing ^{2/}						
Mining	37.9	39.8	1.9	97.02	105.87	9.1
Contract construction	35.6	35.8	.2	106.44	110.26	3.6
Transportation and public utilities:						
Telephone	37.8	38.5	.7	76.36	82.01	7.4
Gas and electric utilities	40.4	40.8	.4	97.77	103.63	6.0
Retail trade (except eating and drinking places)	37.8	37.9	.1	63.13	65.95	4.5

^{1/} Preliminary.

^{2/} Figures are for March 1958 and March 1959.

U. S. Department of Labor.

Federal Reserve credit policy during the 1957-58 downturn was one of increasing available reserves by purchases of U. S. securities and lowering bank reserve requirements and the discount rate. As a result, interest rates declined and the availability of funds increased between late 1957 and early 1958. With a change in credit policy around midyear, after the economy began to recover, the rediscount rate was raised in several steps from the low of 1-3/4 percent in May to 3 percent at the end of March 1959. Interest rates have increased sharply; prime commercial paper rates averaged 3.38 percent at the end of March, compared with 1.50 in July 1958.

The commercial banking system increased its holdings of securities by more than \$10 billion during 1958. Since January 1959 these investment holdings have been reduced as credit conditions have increasingly tightened. In March, such investments were still \$5 billion above a year earlier. Commercial, industrial and agricultural loans of weekly reporting banks, however, have held relatively steady over the past year and in March at \$30.8 billion, were only \$250 million above a year earlier. Besides the banking system, individuals provide funds through their savings accounts, purchases of U. S. securities and investment in insurance reserves. Total investments of individuals increased to \$18.3 billion in 1958 compared with \$14 billion in 1957.

The demand for funds by consumers and the Federal Government have increased since mid-1958. The high level of housing starts in the last half of 1958 and early 1959 increased sharply the demand for mortgage funds. Mortgage recordings of nonfarm houses valued at \$20,000 and less in January-February were up a third from a year earlier. Farm mortgage debt in the first part of 1959 was up about 6 percent from a year earlier. With a sharp rise in purchases of durables, consumers started to add to their installment credit in the last part of 1958. Credit sales of new automobiles and other consumer durable goods increased at a faster rate than total consumption expenditures.

Demand for bank loans by business, while picking up in March, was still only a little above a year earlier. Net corporate security issues (long-term funds) in the first quarter of 1959 were running below a year ago, when interest rates were more favorable. In addition, corporate profits have increased sharply in the last 6 months, making available a larger volume of funds from internal sources. Thus, during the first quarter of 1959 the demand for funds by corporations was less than last year. With the economy continuing to expand, business needs for funds will increase.

The Federal Government increased its demand for funds in the last half of 1958; Federal Budget receipts declined as a result of the 1957-58 downturn and expenditures increased. In the first 10 months of fiscal year 1958-59, cash withdrawals exceed cash deposits by nearly \$15 billion compared with \$5 billion in the same period a year earlier. The public debt in the same period was up \$9 billion, compared with a \$4.5 billion increase in the same period of 1957-58.

Table 3.--Selected factors, affecting money and credit conditions with change

Item	March 1958	March 1959	Change from 1958-59
	Billion dollars	Billion dollars	Billion dollars
Federal Reserve credit	24.6	27.1	2.5
U. S. securities	23.5	25.4	1.9
Loans and advances	.1	.6	.5
Gold stock	22.5	20.4	-2.1
Currency in circulation.....	30.6	31.2	.6
Other factors affecting commercial bank reserves <u>1/</u>	8.1	8.3	.2
Commercial loans and investments of weekly reporting banks	89.6	94.1	4.5
Loans	52.9	54.5	1.6
Commercial and industrial	30.1	30.3	.2
Agricultural	.4	.6	.2
Real estate	8.7	9.8	1.1
Investments	36.7	39.6	2.9
U. S. obligations	28.0	30.2	2.2

1/ Includes Treasury currency outstanding, Treasury cash and deposits, foreign and other deposits and accounts.

Federal Reserve Board.

FARM PRICES AND PRICE SUPPORT ACTIVITY

Prices received by farmers in April averaged the same as March but 5 percent below April 1958. All prices of meat animals except sheep rose between March and April and the index was up 3 percent. A cyclical expansion of cattle numbers has reduced slaughter which in January-April was 11 percent below a year earlier. Cattle prices in mid-April were 9 percent above a year ago. Hog slaughter, while declining seasonally in April, was 14 percent higher than April 1958, and prices received by farmers were down 23 percent. Supplies of eggs are materially larger than in 1958, and prices to farmers in mid-April were

The next issue of the Demand and Price
Situation is scheduled for release June 29, P.M.:

the lowest since June 1944. Feed grain prices rose 4 percent between March and April. The greater than seasonal rise in feed grain prices since last fall reflects heavy disappearance and large exports under the payment-in-kind program.

Prices paid including interest, taxes and the seasonally adjusted index of farm wage rates increased 1 point (1/3 percent) between March and April to a new record, up nearly 2 percent from a year ago; prices paid for purchased feed and feeder livestock, and farm wage rates were all higher in April than in March.

Of the record stocks of grains on hand April 1, more than four-fifths of the wheat and sorghum grains, and about half of the corn and soybean stocks were either owned by the Commodity Credit Corporation or under loan. A record 60 percent of 1958 crop cotton was placed under loan. Price support extended by the CCC on 1958 crops through March 31, 1959 totaled \$3,866 million, compared with \$2,481 million in the same period a year earlier on the 1957 crop. Of the total price support extended on 1958 crops, loans amounted to \$3,436.1 million, purchase agreements, \$201.7 million, and purchases of commodities, \$228.7 million. Practically all the increase in price support extended was accounted for by cotton and wheat.

Table 4.--Price support extended on selected 1957 and 1958 crops through March 31, 1959

Commodity	Unit	1957 crop		1958 crop	
		Quantity	Value	Quantity	Value
		Million units	Million dollars	Million units	Million dollars
Total			2,481.0		3,866.5
Cotton, upland	Bales	3.5	458.5	6.7	1,142.2
Wheat	Bu.	255.6	500.8	609.3	1,109.8
Corn	Bu.	261.7	322.0	332.8	392.5
Grain sorghum	Cwt.	163.3	321.2	154.5	292.2
Milk and butterfat					
Butter	Lb.	189.2	112.2	142.3	82.2
Cheese	Lb.	229.5	83.9	32.9	11.3
Dried milk	Lb.	671.5	114.0	615.5	92.5
Barley	Bu.	141.9	124.0	107.3	94.6
Rice	Cwt.	13.6	74.9	11.6	57.3
Oats	Bu.	61.6	35.4	84.4	47.2
Soybeans	Bu.	90.4	184.7	139.8	285.3

Commodity Stabilization Service, U. S. Department of Agriculture.

WORLD CROP PRODUCTION

World production of many crops reached record levels in 1958 because of unusually favorable weather in most parts of both hemispheres. Two years of high production preceded the record output of last year (table 5). Total crop output in the United States, the Soviet Union and Mainland China was a record. Although parts of Western Asia and Eastern Europe suffered a sizable decline in agricultural production from 1957 levels, the rest of the world had abundant crops.

Since 1950, world output of most major crops has increased substantially more than the estimated 10 percent rise in world population. In 1958, world production of wheat was about 25 percent higher than the 1950-54 average, that of rice 24 percent, corn 28 percent, and barley 22 percent. Per capita production of the several essential crops for the last 3 years has been above both the immediate prewar level and the 1950-54 average. Despite high world per capita food consumption, substantial stocks of wheat, rice, and the feed grains have accumulated.

Increased yields and moderate expansion in cultivated acreage contributed to the rise in agricultural production since 1950-54. World acreage planted to cultivated crops remained at the approximate level of 1,600 million acres reached in 1956. This compares with an estimated average of 1,500 million acres for the 1950-54 period and 1,440 million in 1935-39. Much of this rise reflects a sharp increase in acreage planted in the Soviet Union between 1953 and 1956. Little expansion in acreage occurred in the Soviet Union after 1956. Acreage of 14 leading world crops ^{1/} planted in the United States in 1958 was about 10 percent below the 1950-54 average, primarily as a result of the Soil Bank Program. Planted acreage in 1959 is estimated at about 9 percent below 1950-54. Throughout the world, yields per acre of many crops have trended upward from 1950-54 levels. Most of the rise has taken place in North America, Western Europe, Oceania, and the Soviet Union.

World wheat production in 1958 reached an all-time high of about 8.7 billion bushels, mainly because of record production in the United States, the Soviet Union and Mainland China. This ~~was~~ 12 percent above the previous record of 7.8 billion bushels set in 1956 and 25 percent above the 1950-54 average. Among the principal wheat exporting countries, Canadian production was below the 1950-54 average for the second consecutive year, while the Argentine and Australian crops were 9 and 15 percent, respectively above the average. The Soviet Union is believed to have produced approximately 2,300 million bushels of wheat in 1958, compared with 1,240 million bushels in 1950-54. The 85 percent increase resulted from a 48 percent rise in acreage harvested and a 25 percent increase in yield per acre.

^{1/} Wheat, rye, rice, corn, oats, barley, sugar beets, dry edible beans, potatoes, soybeans, peanuts, flaxseed, cotton and tobacco. For tobacco, the estimate of harvested acreage only is available.

Table 5.--Estimated United States and world production, acreage, and yield per acre
for selected crops 1950-54 average, annual 1956-58

Crop	Production				Acreage 1/				Yield per acre			
	1950-54	1956	1957	1958	1950-54	1956	1957	1958	1950-54	1956	1957	1958
	<u>Bil. bu.</u>	<u>Bil. bu.</u>	<u>Bil. bu.</u>	<u>Bil. bu.</u>	<u>Mil. acres</u>	<u>Mil. acres</u>	<u>Mil. acres</u>	<u>Mil. acres</u>	<u>Bu.</u>	<u>Bu.</u>	<u>Bu.</u>	<u>Bu.</u>
Wheat												
U. S.	1.1	1.0	1.0	1.5	63	50	44	54	17.3	20.2	21.7	27.3
World	7.0	7.8	7.6	8.7	447	489	501	507	15.6	15.9	15.3	17.2
Barley												
U. S.	.3	.4	.4	.5	10	13	15	15	27.8	29.1	29.2	31.6
World	2.7	3.4	3.2	3.3	121	141	136	135	22.2	24.1	23.3	24.2
Oats												
U. S.	1.3	1.2	1.3	1.4	38	34	35	32	33.9	34.5	37.5	44.7
World	4.2	4.3	4.0	4.2	129	122	118	116	32.3	34.9	33.8	36.5
Corn												
U. S.	3.1	3.5	3.4	3.8	81	76	73	73	38.5	45.7	47.1	51.7
World	5.6	6.6	6.6	7.3	222	243	234	240	25.4	27.0	28.1	30.2
	<u>Mil. cwt.</u>	<u>Mil. cwt.</u>	<u>Mil. cwt.</u>	<u>Mil. cwt.</u>					<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>
Rice 2/												
U. S.	50	49	43	47	2.1	1.6	1.3	1.4	24.2	31.5	32.2	33.3
World	3,940	4,397	4,248	4,869	256	271	269	277	15.4	16.2	15.8	17.0
	<u>Bil. lb.</u>	<u>Bil. lb.</u>	<u>Bil. lb.</u>	<u>Bil. lb.</u>					<u>Lb.</u>	<u>Lb.</u>	<u>Lb.</u>	<u>Lb.</u>
Tobacco												
U. S.	2.2	2.2	1.7	1.7	1.7	1.4	1.1	1.1	1,292	1,596	1,479	1,621
World	7.8	8.7	8.6	8.3	8.7	9.4	9.5	9.4	N. A.	N. A.	N. A.	N. A.
	<u>Mil. bales</u>	<u>Mil. bales</u>	<u>Mil. bales</u>	<u>Mil. bales</u>					<u>Lb.</u>	<u>Lb.</u>	<u>Lb.</u>	<u>Lb.</u>
Cotton												
U. S.	14.1	13.3	11.0	11.5	23	16	14	12	298	408	388	466
World	38.2	42.2	41.7	44.7	82	83	79	80	277	250	254	269
	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>					<u>Bu.</u>	<u>Bu.</u>	<u>Bu.</u>	<u>Bu.</u>
Soybeans												
U. S.	298	449	484	574	15	21	21	24	20.3	21.8	23.2	24.2
World	682	849	879	982	45	56	54	53	15.1	15.2	16.2	18.5

1/ Figures refer to harvested acreage as far as possible.

2/ Rough rice equivalent. Data are for 1950-51 to 1954-55, 1956-57, 1957-58 and 1958-59.

Foreign Agricultural Service.

The world feed grain crop in 1958 is estimated at a record 350 million short tons, compared with 324 million short tons a year ago. An 11 percent increase in corn production accounted for most of the gain. The rise in world production of feed grains has accompanied dietary improvements and increasing livestock numbers in many countries. Favorable support policies and Government programs designed to make grain-importing countries more self-sufficient, such as compulsory utilization of specified percentages of home-grown grains, tariffs, foreign exchange controls and import quotas, have all contributed to increased total supplies. In addition, higher yields per acre have resulted from improved seed and more extensive use of fertilizers.

The marked increase in the world rice crop, from 425 billion pounds in 1957-58 to 487 billion pounds in 1958-59, resulted primarily from a record crop in Mainland China. Rice production in Asia, approximately 90 percent of the world's crop, is about 20 percent higher than the 1950-54 average. Rice yield in Asia increased from 1,535 pounds to about 1,704 pounds per acre and acreage harvested rose about 8 percent. Even though Asian rice production has increased substantially, the gains have not been sufficient to meet the greater demand of a growing population and slightly higher standards of living. On other continents, total rice production in 1958-59 will be about 10 percent higher than the 1950-54 average. South America, Oceania and Africa will account for most of the gain.

Although world tobacco production dropped in 1958 for the second consecutive year, world production of flue-cured, the main export tobacco grown in the United States, rose from 2,712 million pounds in 1957 to 2,860 million pounds in 1958. Many foreign countries have made strong efforts to increase their production of flue-cured, and in 1958 foreign output of this kind was 47 percent above 1950-54. Production increases in the Federation of Rhodesia and Nyasaland, Canada, India, Brazil, Mainland China and the Union of South Africa accounted for most of the gain. Because of surplus stocks, production in the United States has been reduced in the last 2 years, and in 1958 was 19 percent less than the 1950-54 average. A long standing incentive to increase production in Canada, India and Rhodesia-Nyasaland has resulted from a preferential tariff in the United Kingdom. The tariff is about 21.5 cents per pound lower on tobacco from Commonwealth countries than on tobacco imported from other countries. Flue-cured is a high valued tobacco because it is used in production of higher-quality Virginia-type cigarettes, and a blending factor for quality improvement of other cigarettes.

World production of all fats and oils in 1958, totaling about 30.2 million short tons, was slightly below the record of the previous year. However, total production in 1958 was about 17 percent above the 1950-54 average. World production of soybeans has shown the sharpest increase, rising from 682 million bushels in 1950-54 to 982 million bushels in 1958. World production of peanuts, flaxseed, cottonseed oil, palm oil and olive oil increased at a more moderate rate. A substantial portion of the increase in fats and oils production has been in underdeveloped countries. In these countries, increased domestic consumption improved the diet of the population and export sales helped to earn foreign exchange needed for internal development.

World production of cotton has trended upward at the same time that acreage harvested declined. Estimated world production in 1958 totaling 44.7 million bales is about 17 percent above the 1950-54 average, while total acreage is 3 percent below. Most of the decline in acreage has been in the United States, resulting from the Acreage Reserve of the Soil Bank Program, which was terminated with the 1958 crop. Among foreign producers in the Free World, Mexico, Egypt, Sudan and the Central American countries have shown the sharpest increases in output. Total foreign Free World production, estimated at a record 17.1 million bales, is 3.3 million bales above the 1950-54 average. Within the Communist Bloc, production rose from 10.3 million bales in 1950-54 to 16.1 million in 1958.

FARM INCOME

Cash receipts from farm marketings totaled approximately \$9.4 billion in the first four months of 1959--1 percent more than for the corresponding period in 1958. Receipts from livestock and livestock products of \$5.9 billion were about the same in the first four months of 1959 and 1958. Larger marketings of hogs, chickens, and eggs were in total offset by lower prices for hogs, wool, chickens, and eggs. January-April receipts from crops of \$3.5 billion in 1959 were 3 percent larger than in 1958. Crop prices as a whole averaged lower this year; the increase was accounted for by larger marketings. However, so far in 1959, prices of feed grains, cotton and tobacco have averaged higher than in 1958.

A preliminary estimate places cash receipts in April 1959 at \$2.2 billion, unchanged from a year earlier. Larger marketings offset sharply lower prices for hogs, chickens, and eggs to hold livestock receipts at near the same level as in April 1958--\$1.6 billion. April cash receipts from crops at about \$0.6 billion were down somewhat from a year earlier, largely because of lower prices.

LIVESTOCK AND MEAT

Cyclical expansion in cattle numbers has moved into full swing. Cattle and calf slaughter in January-April was about 9 percent below a year earlier. Slaughter of well-finished cattle was up, but that of all other classes was sharply lower.

This slaughter rate indicates that a buildup of 4 to 5 million in cattle inventories during 1959 is underway. Such an increase would approach the fastest rate of expansion during the last cattle cycle. If it continues, it will end all hope of avoiding the overexpansion that brought distress to the cattle industry in the last cycle. It would result in severe price declines in the early 1960's.

As in past cycles, while cattle are being held back, a boom market is created. Supported by the short supply of nonfed beef, prices of all classes of cattle have increased in recent weeks; in mid-May prices were as high or higher than a year earlier. Fed cattle prices have joined in the climb, even though 7 to 9 percent more fed cattle than a year earlier have been slaughtered this year.

On April 1, 8 percent more cattle than last year were on feed in 13 States. Fed cattle marketings may continue around 8 percent larger than in 1958, and probably will again be largest in July-September.

A cattle price boom tends to perpetuate itself in the short run even though collapse is inevitable in the long run. Unless recent dryness in the Northern Plains and Southwest should worsen, prospects are that cattle marketings will be small enough to put a prop under cattle prices during all of 1959. Prices of fed cattle may weaken a bit when marketings are largest, and some summer decline in feeder cattle prices is possible. But the general level of cattle prices seems likely to stay relatively high this year.

Prices of hogs have been lower this year than last year. A seasonal price rise is likely yet this spring and a seasonal decline next fall. However, production continues to expand. Following a 17 percent gain last fall and an intended 13 percent this spring, producers in 9 States indicated in March that they planned to increase farrowings 9 percent in June-August, the first half of the fall season. This figure may roughly indicate the U. S. increase in view for the entire season.

In view of prospective supplies, prices of hogs next winter may be expected to be lower than this past winter. The hog-corn ratio will be rather low and profit margins narrow. There is little reason for optimism for hogs in 1960.

Prices of lambs had improved by May and exceeded a year before. As the backlog of old crop lambs has been marketed, prices are expected to average close to a year earlier the rest of 1959.

Consumers will continue to be supplied with more fed beef but less nonfed, and their 1959 total beef consumption may about equal last year's 80 pounds. Pork consumption may rise 6 pounds above last year. Consumption of all meat per person is forecast at $157\frac{1}{2}$ pounds compared with 152 pounds in 1958. Beef prices are likely to stay above a year earlier, while pork prices will remain lower.

DAIRY PRODUCTS

Wholesale prices of dairy products are steady, close to the levels of a year earlier.

Production of milk on farms in April, as in the first quarter of 1959, was slightly under a year earlier. The total for the 4 months was 40.94 billion pounds this year compared with 41.05 billion a year earlier. Barring widespread, serious drought in important dairy areas, milk production probably will continue near the level of a year earlier and may exceed last year's level at times. Dry weather still prevailed in the upper part of the Midwest in early May but with pasture season not starting until mid-May, milk production so far has been affected little.

Use of milk in making butter in 1959, has been substantially below a year earlier but its use in most other products has been equal to or higher than in 1958.

Sales to Government of dairy products this spring have been running about the same as a year earlier if allowance is made for several factors. Sales of butter and cheese to CCC in the first few weeks of April last year were small because of heavy sales before the price reduction April 1, 1958. Considering this, larger sales in the first few weeks of April this year than a year earlier probably were to be expected. In the first half of May, butter and cheese sales to CCC were somewhat smaller than those of a year earlier. From April 1 through May 15, sales to the Government totaled 29.7 million pounds of butter and 6.2 million of cheese compared with 25.5 and 7.4, respectively, a year earlier.

During the same period, sales of nonfat were smaller than a year earlier. However, sales a year ago included a large quantity in small containers for delivery in the subsequent several months.

Sales of whole milk in Federal Order Markets showed some pickup in late 1958 and during the first 2 months of 1959. Retail prices of whole milk are unchanged from a year earlier. Sales of skim milk products continue substantially above a year earlier, milk and cream mixtures are up moderately, but cream sales are running lower. Ice cream sales have been record high every month this year, apparently reflecting the higher employment level this year than last.

POULTRY AND EGGS

Prices for eggs and chicken and turkey meat are at low levels, compared with the averages of recent years. Egg production so far this year has been at higher levels than last year on account of the larger number of birds presently in laying flocks and their higher rate of lay. Recent slaughter of broilers and turkeys has been at record high levels for the season. Hatchings of chicks and poultry for future production are likely to recede from year-ago levels in the next few months, extending the declines that are suggested by the current Hatchery Report.

April wholesale prices for graded eggs and May prices to date have been the lowest since 1941. With production likely to continue above last year for some months--perhaps even to the end of the year--prices are likely to continue low into early summer. The USDA has been buying dried egg solids since the fall of 1958 under two programs. Under a School Lunch Program that began in October 1958 and continued to mid-April, the Department bought about 12 million pounds of dried egg solids. Thereafter a second program has been in operation and to mid-May it bought over 2 million pounds for distribution to institutions

and needy persons. In mid-April the U. S. average price received by farmers for eggs was 28.1 cents per dozen, 10.4 cents lower than last April.

Egg production in April 1959 was more than 5 percent above a year ago, the result of a 3 percent larger flock laying at a 3 percent higher rate per bird. Despite heavier-than-usual sale of hens for slaughter, flock size for at least 4 or 5 months longer will probably continue above 1958. And rate of lay will likely also continue above last year.

Low prices will reduce hatchings after May 1. Up to April, monthly hatchings of egg-type chicks averaged 3 percent more in 1959 than in 1958. Hatchery output of egg-type chicks in April was down 2 percent from last April, a contrast from the general increases from the year before in the previous 15 months. May output of egg type chicks will be down, because May 1 eggs in incubators were 13 percent fewer than last year. Future egg settings are expected to reflect current low egg prices. Trade reports indicate many recent cancellations of chick orders.

Under pressure of low broiler prices, weekly egg settings for broiler chicks turned below last year in the third week of April, and continued to lag up to mid-May. This is the first such decline in several years.

In mid-April U. S. average broiler prices were 16.3 cents per pound, the lowest for the season since 1940. Broiler feed prices are a few cents per hundred pounds lower than last year, but this difference does not begin to compensate for the decline in broiler prices. As a result of the reduced recent settings of broiler hatching eggs and the expectation of seasonally strong demand during the summer, prices beginning in July are likely to be higher than producer prices have averaged so far this year.

Turkey prices continue lower than in 1958, the mid-April 1959 price was 23.0 cents per pound, compared with 26.7 a year earlier. Nevertheless, hatchings through March averaged 7 percent above 1958. The April hatch was 2 percent larger than a year ago, while eggs in incubators May 1 were 2 percent fewer. For the 1959 turkey crop to turn out no larger than the 79 million birds raised in 1958, hatchings in the next few months would have to be down sharply. Production increases so far have been greatest for light breed turkeys and for other turkeys that can be slaughtered at light weights; this has reduced prices for consumer-type, while prices for institutional (heavy) types remain firm. This distinction is likely to carry through to fall.

OILSEEDS, FATS AND OILS

Soybean prices to farmers over the next few months probably will average a little above the loan rate of \$2.09 per bushel until new crop beans become available. This would reflect CCC sales policy to sell beans at support plus 5 cents per bushel plus carrying charges of 1.5 cents per month, or fraction

of a month, beginning June 1. CCC likely will acquire around 75 million bushels of 1958 crop soybeans when loans mature May 31. Some of these soybeans are expected to move from CCC into trade channels during the summer, based on current estimates of crush and exports.

Crushings of soybeans for oil and meal probably will set a new record of about 400 million bushels this season, compared with 354 million last season. Exports are expected to reach a new peak of at least 100 million bushels, up 15 million or more from 1957-58. This would leave a carryover on October 1, 1959 of approximately 65 million bushels, about 45 million above a year earlier. A carryover this large would not be particularly burdensome as it would be less than the requirements for two months crush at current levels. A large part of the carryover of old crop beans likely will be held by CCC.

Exports of cottonseed and soybean oils in 1958-59 probably will total around 1.4 to 1.5 billion pounds compared with 1.0 billion last year and the record 1.2 billion in 1956-57. Around 75 percent of the edible oil shipments this year will likely move under the P. L. 480 program. The exact level of exports will be partly determined by the portion of the 1958-59 program oil that is shipped before October 1, 1959.

The heavy export movement of soybeans and edible oils this season is also being encouraged by sharply reduced availabilities of copra and coconut oil from the Philippines and Indonesia, short crops of sunflowerseed and cottonseed in Argentina, and smaller exports of Chinese oils and oilseeds. Furthermore, stocks of fats and oils in Western Europe were reduced in 1958 and large quantities will need to be imported if consumption is to be maintained.

Copra prices (c.i.f., Pacific Coast) have risen precipitously from about \$151 per short ton in the summer of 1957 to a peak of \$270 in mid-May, about \$84 or 45 percent above May 1958. Coconut oil prices (crude, tanks, Pacific Coast) have similarly risen from about 11.2 cents per pound to 20.8 cents in mid-May. Coconut oil prices tend to vary with world production and exportable supplies, coupled with relatively inflexible demand. Domestic consumption of coconut oil has held up well despite rising prices because of the lack of suitable domestic oil substitutes for this high lauric acid oil. Domestic use of coconut oil has increased in recent years because of large quantities being consumed in bakery and confectionery goods, fatty acids and glycerine. The uptrend in these uses more than offset the drop in its use in soap.

Prices of copra and coconut oil are expected to remain at these high levels through most of 1959 owing mainly to sharply reduced export availabilities from the Philippines, Indonesia and Malaya. Current prospects indicate that output in these countries may not recover from drought damage until late this year or early 1960. The Philippine Republic continues to be virtually the sole supplier of copra and coconut oil to the U. S. where they enjoy a processing tax advantage of 2 cents per pound.

Lard output (including farm) in the current marketing year is now forecast at 2,725 million pounds, up around 275 million from the previous year.

Hog slaughter is running ahead of last year and the average weight of hogs and of lard yield per head is heavier. Slaughter during June-September 1959 is expected to total about 13 percent more than last year and lard prices are likely to continue to average somewhat lower. A lower price for lard favors increased use in the manufacture of shortening.

FEED

Feed grain prices have advanced more than seasonally since last fall reflecting heavy disappearance and generally favorable returns from livestock feeding. Heavy exports of feed grains under the payment-in-kind program also have tended to strengthen prices by reducing "free" commercial supplies, especially for barley and sorghum grain. In April feed grain prices were generally close to those for April 1958. Prices of high-protein feeds averaged 16 percent higher during October-March this year than last. Since January, high-protein feed prices have declined and in early May they averaged slightly lower than a year ago.

The average price received by farmers for corn rose to \$1.13 per bushel in April, 1 cent above a year earlier and 7 cents above the national average support of \$1.06 per bushel for noncomplying farmers. The substantial quantity of corn under price support at this lower level and the larger quantity of "free" corn on hand April 1 than a year ago will tend to limit the extent of further advances during the next few months. April prices of oats, barley and sorghum grain are near the 1958 support levels, but well above the supports that will be available on the 1959 crops. At least a seasonal decline in prices of these feeds appears likely this summer if the 1959 growing season is favorable.

The total disappearance of feed grains during October-March from the record 1958-59 supply was 14 percent above that of a year earlier and the heaviest in recent years. Heavy domestic disappearance apparently is largely the result of increased livestock production and liberal feeding per animal. In addition, more than 6 million tons of feed grains were exported, nearly a third more than the quantity shipped in the same period of 1957-58. The 10.5 million tons of the major byproduct feeds fed to livestock were 9 percent larger than last year.

Feed consumption during April-September is expected to continue heavier than a year earlier, though the increase probably will be less than that of the first 6 months. Allowing for this prospective heavy disappearance of feed grains in 1958-59, the carryover into 1959-60 is now expected to total around 70 million tons, nearly 20 percent above the record stocks last year.

Total disappearance of corn during October-March was up 244 million bushels, or 12 percent, over 1957-58. Present indications are that nearly 3.7 billion bushels will be consumed domestically or exported, compared with the record 1958 crop of 3.8 billion bushels. In this event, the corn carryover next October 1 would total around 1.6 billion bushels, 130 million more than on October 1, 1958. Utilization of oats, barley and sorghum grain also has been heavier this year than in 1957-58. But record carryover stocks of each of these grains are in prospect for 1959-60.

Farmers reduced the rate of placing corn under price support from 122 million bushels in January to 16 million in April as prices have advanced above the \$1.06 support level. Through March, 333 million bushels had been placed under price support, 32 million more than through April 15, 1958. The total tonnage of all feed grains placed under price support in 1958-59 is expected to slightly exceed last year's record of 22.9 million tons.

WHEAT

Cash winter wheat prices, after holding within a narrow range through most of May, may be expected to decline, adjusting to the new crop prospects. The decline this year is expected to be about seasonal reflecting only a minor change in the support rate which continues at 75 percent of parity. The low price for hard red winter wheat will probably be reached in early July, or possibly in late June. The spring wheat low will occur later. In 1958, the low for hard red winter wheat prices at Kansas City was reached on July 1 and that of hard red spring at Minneapolis on August 22. After the heavy movement slackens following harvest, prices to growers are expected to strengthen, reflecting the influence of the support program.

Prices of soft red winter and hard red winter have declined generally since early April. On May 19 these prices were below the support level by 27 cents and 11 cents, respectively. Prices of hard red spring are slightly higher than in early April. White wheat at Portland is slightly above the loan rate and about at the highest level of the year. The average price received by farmers in mid-April was \$1.77 the high for the season to date, compared with \$1.76 in March and \$1.95 a year earlier.

The season average price to farmers for 1958-59 may average about 10 cents below the support. This is about equal to or slightly below the average support rate after allowing for storage charges. The 1958 crop was the largest of record but exports were large and record large quantities were placed under the support program. With the likelihood that large quantities of wheat will again be placed under support and that exports will continue large, prices received by farmers for the 1959 crop again may be expected to average about at the effective support level.

Supplies of "free" wheat next June 30 may be larger than a year earlier. Commodity Credit Corporation inventory on June 30 is estimated at about 1,200 million bushels and outstanding loans estimated at about 35 million bushels. With total stocks on June 30 estimated at 1,285 million bushels, it would appear that "free" supplies of old-crop wheat may be in the neighborhood of 50 million bushels, compared with 27.5 million a year earlier. There is no estimate as of June 30 of the quantity of wheat farmers have in storage to avoid or to postpone payment of the marketing quota penalty. This wheat included in the "free" supply. On January 1, 1959 the quantity totaled 35 million bushels. The figure for a year earlier is not available. However, even after making allowance for the penalty wheat, remaining commercial "free" supplies are considered to be larger this year than a year earlier.

The carryover July 1, 1959, estimated at a record 1,285 million bushels, is about 400 million bushels above the carryover last July, and a further increase is likely by July 1, 1960. These increases follow reductions in stocks from the previous record of 1,036 million in 1955 to 881 million July 1, 1958.

The 1959 winter wheat crop was estimated at 957 million bushels as of May 1. The first estimate of spring wheat will be made June 10. If the intended acreage was planted and yields equal the average of the last 3 years, the spring crop would be about 253 million bushels. A total wheat crop of about 1,210 million bushels would be the fifth largest, only 17 percent smaller than the all-time record of 1,462 million in 1958 and 13 percent above the 1948-57 average of 1,075 million. A crop of this size would result in an increase of around 150 million bushels in the carryover on July 1, 1960, if domestic use and exports in 1959-60 are at about this season's levels.

FRUIT

Prospective production of peaches in the 9 southern States is about one-tenth smaller than the heavy crop in 1958 but about one-half above the 1948-57 average and except for 1958 the largest since 1947. On May 1, prospects for California peaches were much better than a year earlier, when production was cut because of unfavorable spring weather. Light movement from California started in early May, and movement from the southern States was expected to start after mid-May, a little earlier than in 1958. May 1 indications for California apricots, and fresh plums pointed to much heavier production than the light crops in 1958. But prospective production of sweet cherries was only moderately above the small crop last year. Prospects for pears and dried prunes also were more favorable than a year earlier.

Total production of strawberries in 1959 was estimated as of May 1 at approximately 442 million pounds, 17 percent smaller than in 1958 but 1 percent above the 1949-57 average. Heavy decreases in the mid-spring States, especially California, and in the late spring states more than offset light increases in the winter and early-spring States. In California, early-season prices for strawberries for freezing were at about the same level as a year earlier.

Cold-storage stocks of frozen strawberries on May 1 were 5 percent larger than a year earlier and 18 percent above average. Stocks of all frozen deciduous fruits and berries combined (excluding juices) were about as large as a year earlier. On April 1, 1959, canners' stocks of 9 deciduous fruits combined were about 13 percent below stocks on that date in 1958. Except notably for frozen strawberries, stocks held by canners and freezers will continue to decline to seasonally low points in June or later, then increase as processing of the new crops picks up volume.

On May 16, remaining supplies of Florida oranges were much larger than a year earlier, when the crop was about the same size and harvest was pushed following the winter freezes, but considerably smaller than 2 and 3 years earlier, when the crops were moderately larger. Remaining supplies of California

Valencias from the heavier 1958-59 crop also were much larger than a year earlier. The remaining Florida oranges will go heavily into processing, especially frozen orange concentrate. But movement of Florida oranges as well as of California oranges to fresh markets also is expected to be heavier during late spring and summer than in this period of 1958. Grower prices for Florida oranges increased moderately during late April and early May, but averaged somewhat below the relatively high levels of a year earlier. Auction prices for California oranges also averaged under the high levels of a year earlier.

Remaining supplies of Florida grapefruit on May 16 were much larger than the light supplies a year earlier but moderately smaller than 2 and 3 years earlier, when production was larger. In late April and early May, movement to processors declined as processors shifted emphasis to the processing of Valencia oranges. But movement to fresh markets was well maintained. In late May and June, it too will taper off as the end of the season nears. Grower prices for Florida grapefruit in late April and early May increased somewhat but averaged much below the unusually high prices of a year earlier. Remaining supplies of lemons are lighter than a year ago and auction prices during recent weeks have fluctuated around the levels of a year earlier.

Output of Florida frozen orange concentrate by May 9 of the 1958-59 season totaled about 59.5 million gallons, 11 percent larger than a year earlier. The increase over 1957-58 will widen as heavy-volume processing continues later this year than last. Packers' stocks on May 9 were about 3 percent under a year earlier. The pack of Florida frozen grapefruit concentrate was about 4.8 million gallons, up 46 percent. But the Florida pack of about 25.1 million cases (24-2's) of canned single-strength orange, grapefruit, and blended juice was down about 22 percent from a year earlier and stocks also were down 20 percent.

COMMERCIAL VEGETABLES

For Fresh Market

Production of spring vegetables for fresh market, excluding melons, is expected to be about the same as last spring. Production for early spring harvest was 7 percent less than a year ago, but volume for late spring excluding melons, is expected to be slightly larger. A substantial increase is in prospect for late spring onions, and slight to moderate increases for late spring asparagus, cabbage and sweet corn. These increases are partly offset by a materially smaller tonnage of tomatoes and slightly smaller tonnages of snap beans and cucumbers. Among vegetables for which only total spring estimates are available, production of celery is much larger than a year ago, and carrots and spinach moderately larger. Prospective production of green peppers, lima beans, beets and eggplant is smaller than a year earlier. Production of late spring watermelons is expected to be about a fourth smaller than the record production of last year, while prospective production of spring cantaloups is moderately larger than a year earlier.

So far this spring, movement of fresh vegetables, particularly tender vegetables from Florida, has been larger than a year ago, and prices to growers have averaged substantially lower. Florida movement is currently at peak and will decline in the weeks ahead. Other areas probably will take up the slack, but the increase from these areas may be less than normal. With supplies increasing seasonally, prices during the next few weeks are expected to decline somewhat. However, less bunching of harvest is likely in late spring than a year earlier, and prices of melons and of a number of vegetables are expected to average above those of a year ago.

Reports indicate slight to moderate acreage reductions for early summer peppers and for early and late summer cabbage. A moderate reduction is also in prospect for early fall cabbage. Substantial acreage cuts are intended for early summer cantaloups and for early and late summer watermelons. Prospective acreage of both early and late summer onions is substantially larger than in 1958.

For Processing

Most frozen and canned items are in ample to heavy supply, with canned tomatoes, most tomato products and canned peas moving at relatively low prices. Intentions reports point to a somewhat smaller pack of canned vegetables this year than last. Production of winter and early spring spinach for processing was up 75 percent from last year. Also, processors have reported intentions to plant or contract a 12 percent larger acreage of sweet corn for processing, 5 percent more snap beans and 1 percent more green lima beans. But these increases are more than offset by acreage cuts of 10 percent in beets for canning and cucumbers for pickles, 9 percent in green peas, a sizeable cut in tomatoes for processing and a moderate cut in contract acreage of cabbage for kraut. If growing conditions should be about average, production of corn would be materially larger than in 1958, and snap beans slightly larger. But production of tomatoes, peas, cucumbers for pickles, beets for canning and contract cabbage for kraut would be substantially smaller than last year. Production of green lima beans for processing would be about the same to slightly smaller than last season. The total frozen pack probably will be larger than last year.

POTATOES

Production of potatoes for spring harvest is down 13 percent from last year. In addition to shipments from the spring crop, storage supplies of fall crop potatoes continue to move from a few areas. Current prices of potatoes both farm and retail, are materially above the low level of a month ago, and may advance further during the next few weeks.

COTTON

The final ginnings report by the Bureau of the Census placed the 1958 cotton crop at 11.4 million running bales. The 1958 crop was thus 0.6 million bales above 1957, but about $2\frac{1}{2}$ million bales below the previous 10-year average. The 1958 harvested acreage was estimated by the Crop Reporting Board at

11.8 million acres, the smallest since 1876. This compares with 13.6 million acres in 1957, and an average of nearly 22 million during 1947-56. Yields were the highest on record. The average yield per harvested acre in 1958 of 466 pounds compares with 388 pounds during 1957 and the previous high of 417 pounds reached in 1955.

The total value of lint produced in 1958 was \$1,907 million. The increase from \$1,625 million in 1957 reflected both the larger crop and higher average prices received by farmers. Growers received an average of 33.1 cents per pound for the generally good quality cotton sold by May 1, 1959, compared with 29.65 cents per pound for the below average quality crop harvested during the preceding season. Average prices received by farmers this season trended downward until mid-January when ginnings were nearly completed. In March and April, prices received rose more than seasonally. The mid-April price of 31.28 cents per pound, equal to 82 percent of parity, was 3.35 cents above April 1958.

Market prices have fluctuated within narrow limits during most of the current season, and have been below a year ago since December. The average price of Middling inch cotton on the 14 spot markets reached the season's low of 34.28 cents per pound in February 1959. Thereafter prices strengthened somewhat. The average for April was 34.56 cents and during the first two weeks of May prices have ranged between 34.59 and 34.63 cents.

With market prices for the better grades of cotton generally below support, 6.8 million bales or a record 60 percent of the 1958 crop was placed under loan. As of May 1, redemptions reduced the total outstanding or under loan to 6.4 million bales.

Based on the August-March rate of domestic consumption and exports, disappearance during 1958-59 is currently estimated at 11.4 million bales. Mill consumption is likely to be about $8\frac{1}{2}$ million bales, $\frac{1}{2}$ million above last season. Mill margins and the ratio of stocks of broadwoven goods to unfilled orders at the mill are both at their most favorable level in more than 2 years, and the firming of cloth prices and demand is continuing. Exports, on the other hand, have been at about half of last year's level, and if exports follow the seasonal pattern of recent years, a total a little less than 3 million bales is in prospect. This figure, which compares with exports of 5.7 million bales in 1957-58, is borne out by CCC sales for export and registrations under the payment-in-kind program. Total dispositions for export in 1958-59 under these two programs as of May 1 amounted to less than 2.6 million bales.

The total supply, including the carryover of 8.7 million bales and estimated imports of 140,000, amounts to about 20.3 million bales and disappearance is estimated at 11.4 million bales. This indicates a carryover on August 1, 1959 of 8.9 million bales. While this represents no substantial change from a year earlier, the 2-year reduction in the carryover will have been reversed. The bulk of the carryover will be in Government hands. Total CCC holdings, including cotton owned and under loan, amounted to about $7\frac{1}{2}$ million bales as of May 1, 1959. The 1958 loan matures on July 31, when CCC will acquire title to all loan stocks unredeemed at that time.

For the 1959 crop, revised acreage allotments total 17.3 million acres as a result of increases made to Choice B producers. Of the total allotment, whole cotton farms representing 439,000 acres have been placed in the Conservation Reserve of the Soil Bank; an additional 100 to 150 thousand allotment acres, may be accounted for by part farms placed in the Conservation Reserve.

Premiums and discounts for eligible upland cotton for the 1959 loan were announced on April 27. Premiums are generally narrower, but discounts are a little wider, than in 1958. The support rate for Middling inch cotton was placed at 370 points (3.70 cents) above the rate for Middling 7/8-inch cotton. This compares with a 385-point premium last year and 350 points for the 1957 crop. The comparable differential on the 14 spot markets in mid-May was 350 points. Thus the average CCC purchase price for Choice A 1959-crop Middling inch cotton will be 34.10 cents per pound compared with the 35.08 loan rate in effect for the 1958 crop. The output from upwards of 13 million acres will be eligible for this rate. The average CCC loan rate, basis Middling inch, for the output from the 3.6 million acres allotted to Choice B producers will be 28.40 cents per pound. It is likely that very little B cotton will be taken over by CCC.

The methods of resale of 1959-crop Choice A cotton, announced on April 21, provided that A cotton will be offered for sale by approved local sales agencies (as well as the New Orleans CSS Commodity Office) at the highest prices offered, but in no event less than 110 percent of "Choice B" support plus carrying charges. The 110 percent of "Choice B" support rate will be applied to quality and storage location of the cotton being offered; carrying charges will begin at 10 points in October 1959, and will increase 15 points each month thereafter through July 1960.

WOOL

The 1958-59 world wool production is currently estimated by the Foreign Agricultural Service at 5,195 million pounds, grease basis. This is 200 million pounds or 4 percent above the 1957-58 output.

World wool prices continued to advance during most of April. Late April prices for Dominion Wools were 13 to 22 cents per pound, clean basis, above March averages. These gains contrasted with price declines in the corresponding period of 1958. Current prices are above year earlier levels for the first time in nearly 2 years. The firming of prices reflects a pickup in mill consumption in major consuming countries, restocking in anticipation of further increases in mill activity and prices and rather substantial purchases by the Soviet Bloc. Some softening of auction prices early in May are considered temporary and may be due in part to stockpile dispositions in South Africa and New Zealand as well as an upward revision in the Australian production estimate.

Boston quotations for domestic wools did not respond to stronger world prices until early in April. By May 15, however, the Boston quotations were 10 to 15 cents a pound above mid-January. The average price received by domestic growers for shorn wool in mid-April was 39.2 cents a pound, grease basis, 4.1 cents above March and 2.3 cents over April 1958.

The rate of mill consumption in 10 countries which report to the Commonwealth Economic Committee rose sharply in the fourth quarter of 1958 to about the level of a year earlier. It was the first substantial quarterly increase since January-March 1957. Mill activity in the United States and the United Kingdom, the only consuming countries for which later data are available, continued to improve during the first quarter of 1959. United States consumption of apparel wool in January-March 1959 totaled 66 million pounds, 36 percent more than a year earlier. Consumption of carpet wool during the same 3 months totaled 45 million pounds, a striking gain of 66 percent. Total consumption of raw wool during the first quarter of 1959 of 111 million pounds was nearly 50 percent above a year earlier and about equal to total consumption during the first quarter of 1957.

Reduced domestic consumption was accompanied by a substantial decline in imports during most of 1958. Imports began to increase in the final months of last year, however, and the total import decline between 1957 and 1958 was less than 10 million pounds. The pick-up in U. S. imports of wool continued into the first quarter of 1959. During January-March 1959 imports for consumption, clean basis, increased 43 million pounds above a year earlier, of which 28 million pounds represented imports of duty-free wool. Total imports for consumption in the first quarter of 1959, at 88 million pounds, were equal to 46 percent of the entire previous calendar year's imports.

Despite the reduced level of domestic consumption in 1958, stocks were drawn down substantially in order to augment current supplies. Commercial stocks of apparel wool in the United States on January 1, 1959 were reported by the Bureau of the Census at 92 million pounds, scoured basis, about 23 million pounds or a fifth below a year earlier. Most of the decline was in dealers' stocks; manufacturers' holdings were about 3 million pounds less than on January 1, 1958. Reflecting the higher rate of mill use and lower stocks, the stocks-consumption ratio for apparel use was about 20 percent lower than on January 1, 1958. Manufacturers' stocks on January 1, 1959 represented 13.7 weeks' mill supply compared with 17.2 weeks a year earlier. Commercial stocks of carpet wool remained at about the January 1, 1958 level of 34 million pounds, scoured basis. At the October-December 1958 rate of consumption, manufacturers' stocks represented 9.2 weeks' mill supply compared with 12.7 on January 1, 1958. For both apparel and carpet wools, the stocks-consumption ratio would have been much lower on basis of the greatly improved consumption levels reported for the first quarter of 1959.

TOBACCO

Auctions for the 1958 Maryland tobacco crop began in late April and are scheduled to end by about mid-July. Sales through May 15 totaled 11.5 million pounds and averaged 61.7 cents per pound, compared with 46.9 cents in the comparable period a year ago. Offerings were of considerably better quality than last year. The Government support level at 50.8 cents per pound is 2.8 cents higher than last season. Thus far, growers have placed about 4 percent under loan in contrast to about 14 percent of early deliveries last season. In addition to auction sales, about 1.7 million pounds of Maryland tobacco have been received at the Baltimore hogshead market, which opened for competitive bidding on April 30.

The 1958 crop of Maryland, which is now being sold, is estimated at 31.4 million pounds--18 percent smaller than in 1957 and the smallest since 1945. The April 1, 1959 stocks of Maryland tobacco totaled 60 million pounds--about $2\frac{1}{2}$ percent lower than a year earlier. Most of the domestic use of Maryland tobacco is in cigarettes, but exports are also a substantial outlet. During the 6 months ending March 31, exports of Maryland totaled about $7\frac{1}{4}$ million pounds--7 percent larger than in the corresponding period a year earlier.

Cigarette output during the first quarter of 1958 was $5\frac{1}{2}$ percent above the like period a year earlier. Cigar and cigarillo output (not including cigarette-size cigars) was up 9 percent. According to surveys by the Cigar Manufacturers Association, sales of cigarillos increased about a sixth from 1957 to 1958. They accounted for close to 13 percent of all cigars weighing over 3 pounds per thousand. The spurt in small cigars--cigarette-size, weighing 3 pounds or less per thousand--which began in late 1958, continued during the early months of 1959. Output of small cigars in first quarter 1959 was double that of the preceding quarter and over 20 times more than first quarter 1958. The output of smoking tobacco for pipes and "roll-your-own" cigarettes during the first quarter of 1959 fell 2 percent below a year earlier but output of chewing tobacco and snuff increased about 1 percent.

Exports of unmanufactured tobacco during the first three-fourths of the 1958-59 fiscal year at 449 million pounds (farm-sales weight) were a little ahead of those in the same period of a year earlier. Exports of flue-cured, accounting for 85 percent of the total, were up a little. Exports of burley during July 1958-March 1959 were well above the comparatively low level of a year earlier but exports of fire-cured showed a moderate decline.

Imports of cigarette leaf for consumption during the first three-fourths of the 1958-59 fiscal year at $83\frac{1}{2}$ million pounds (declared weight) were about a fifth larger than in the same period of 1957-58. Cigar tobacco imports at about $36\frac{1}{2}$ million pounds (unstemmed-weight equivalent) were up about a third.

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